



Where ideas connect

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Division of Drinking Water

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Drinking Water Board

Boyd Workman
Chairman

Dale F. Pierson
Vice-Chairman

Myron Bateman

Anne Erickson, Ed.D.

Jay W. Franson, P.E.

Laurie McNeill, Ph.D.

Nancy Melich

Dianne R. Nielson, Ph.D.

Ruth Perry

Charlie Roberts

Chris Webb

MINUTES OF THE DRINKING WATER BOARD TELECONFERENCE MEETING HELD
ON FEBRUARY 7, 2003 IN SALT LAKE CITY, UTAH

Board Members Present

Dianne Nielson, Ph.D.

Board Members Present Via Telephone

Boyd Workman, Chairman
Dale Pierson, Vice Chairman
Charlie Roberts
Chris Webb
Ruth Perry
Jay Franson
Laurie McNeill, Ph.D.
Nancy Melich
Anne Erickson

Board Members Excused

Myron Bateman

Guests Present

Tena Campbell, Carter & Burgess
Mark Bell, Attorney for Wendover City
Glenn Wadsworth, Wendover City Administrator
Steve Perry, Mayor for Wendover City
Bonnie Carrig, USDA – Rural Development

Guests Present Via Telephone

Jeff Coombs, Director, Tooele County Health Dept.
Fred Nelson, Attorney Generals Office
Bill Prater, William L. Prater, LLC

Staff Present

Michael Georgeson
Ken Wilde
Linda Matulich

ITEM 1 – CALL TO ORDER

The Drinking Water Board convened via Teleconference in Salt Lake City, Utah with Chairman Workman presiding. The meeting was called to order at 9:05 a.m.

ITEM 2 – ROLL CALL

Chairman Workman asked Michael Georgeson to call roll of the Board members. The roll call showed there were 10 members present at the time. Staff, Board member, and visitors in attendance were introduced for the teleconference Board members.

Chairman Workman turned this portion of the meeting over to Vice Chairman Pierson to handle Item 3 – Prepare Recommendation for the Drinking Water Board for Revision to Wendover City's Loan.

ITEM 3 – PREPARE RECOMMENDATION FOR DRINKING WATER BOARD FOR REVISION TO WENDOVER CITY’S LOAN

Dale Pierson mentioned he would ask the Board members and Wendover City’s representatives if they have any comments or questions after Mike’s presentation.

Michael Georgeson mentioned staff has some serious concerns over Wendover’s project. Wendover’s loan was originally authorized in August 1998. Wendover’s loan was closed in 1999. The construction project has been continuing. The city encountered about a years delay on the acquisition of the water treatment plant.

Wendover City has been making payments on their loan and is currently up-to-date. The original project loan was for \$3,416,000, of which \$660,000 was principal forgiveness. The remaining \$2,756,000 was to be repaid in 19 years at 2.14%. Rural Development authorized financing for the project with a \$1 million grant for the pipeline, \$510,000 grant for the water treatment plant, and \$510,000 loan for storage at 4.5% for 40 years. Rural Development has not closed their loan yet. Wendover City has drawn all but \$965,000 of the original \$3.4 million. In order for Rural Development to close on Wendover’s loan, Wendover must show 1.25% coverage for its existing debt service payments.

Bonnie Carrig, Rural Development representative, mentioned that as of yesterday the loan conditions require 1.10% for debt coverage instead of the 1.25% coverage.

Mike mentioned due to the events of September 11, 2001, tourism decreased to the point where the Stateline and Silversmith Casinos declared bankruptcy. The Peppermill Casino purchased the Stateline and Silversmith Casinos. West Wendover City, Nevada required that the Stateline and Silversmith connect to their water system, the State of Nevada did not require the change.

In order to allow Wendover to close on Rural Development’s funding, it is necessary for the Drinking Water Board to modify the terms of Wendover’s financing package.

Staff looked at the difficulties Wendover would face by closing down the project. The engineer and the contractor said it would cost more to close the project down than it would be to complete it. The Drinking Water Board is faced with the likelihood that if Wendover continues with the current financing package they will be unable to make their payments and the project will not be completed. Staff has been working on some solutions and gathering more information for the Board to help Wendover out on the financing issues.

The SRF Conservation Committee met yesterday (February 6, 2003). The SRF Conservation Committee adopted a recommendation for the Board to review.

The SRF Conservation Committee mentioned there might be a source that can be tapped into. Congress offered a special \$1.7 million appropriation to Grand County which was refused. There is a possibility staff may be able to get Congress to redirect the \$1.7 million to Wendover. Staff has been in contact with Senator Bennett's office several times in the last three weeks. The \$1.7 million requires a 45% local match. The money from Rural Development would qualify as a local match. There is approximately \$965,000 in unexpended Drinking Water Board money.

Staff has not received a bill from the contractor for Wendover City for a couple of months and is concerned on what Wendover City could do when one arrives. If a bill comes in, Wendover City would have to get a short-term loan from a bank in order to make the payment to the contractor and to keep the project going. By being able to use the \$1.7 million from Congress and the Rural Development money Wendover City could complete the project. The original financing was for \$3,416,000 with \$660,000 for principal forgiveness, leaving approximately \$2.6 million to be repaid. It is possible to recoup about \$800,000 - \$900,000 if staff includes the \$157,000 that has already been paid. The SRF Conservation Committee's recommendation was not specific in that it said the bond would be written to accommodate additional revenue that may become available to Wendover City.

Discussion followed.

Mayor Steve Perry, Wendover City, addressed the Board.

Tena Campbell, Carter & Burgess representing Wendover City, addressed the Board.

Bill Prater addressed the Board.

Questions by the Board members were addressed and answered by Mike Georgeson and Ken Wilde.

Chris Webb moved the Board modify the terms of the finance package, and authorize financing in the amount of \$3,536,000 (which includes \$120,000 authorized on May 10, 2002) with principal forgiveness of up to \$1.6 million and the remaining balance will be in the form of a loan at 0% for 30 years with debt being structured so that it meets the annual debt coverage ratio required by Rural Development and a \$1,000,000 payment at the end of the 15th year and the following conditions: 1) if Wendover receives any funding for construction of this project in addition to that funding provided by the Drinking Water Board or Rural Development (as presented to the Drinking Water Board at today's meeting), it shall be used to reimburse the Drinking Water Board for the money it advanced as principal forgiveness for any part of the overall project, 2) that the Board freeze the escrow account until the Board has a definite answer of the \$1.7 million appropriation and Wendover's willingness to issue a bond anticipation note so that construction can continue, and 3) the Board authorize subordination of the \$1,000,000 balloon payment due in 15 years to USDA Rural Development and any water revenues beyond that required for the city's drinking water system's operation, maintenance, debt service, and reserve accounts be applied toward the \$1,000,000 payment due at the loan's 15th year.

Dale Pierson repeated Chris Webb's motion for the record.

Jay Franson left the Board meeting.

Anne Erickson seconded.

A lengthy discussion followed Chris Webb's motion.

Chris Webb amended his motion to allow an unequal payment or a balloon payment in the 30th year, if necessary.

Anne Erickson seconded.

A lengthy discussion followed on Chris Webb's amended motion.
Dale Pierson asked for a voice vote on the motion.

**CARRIED
(Unanimous)**

Nine Board members were available for voting and all voted in favor of the motion.

Vice Chairman Dale Pierson turned the Board meeting back over to Chairman Workman.

ITEM 4 – OTHER

No other business.

ITEM 5 – ADJOURN

Chairman Workman stated a motion to adjourn the Teleconference Board meeting would be in order.

Charlie Roberts moved to adjourn the Board meeting at 11:05 a.m.

Chris Webb seconded.

**CARRIED
(Unanimous)**

Linda Matulich
Recording Secretary